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How Coinbase monitors tokens we list for ongoing compliance

Tl;dr:

1. *Coinbase monitors the tokens we list to ensure they remain aligned with our listing standards.*
2. *We use advanced heuristics and monitoring systems to detect on-chain and off-chain signals.*
3. *Material changes to our understanding of a project or token can result in a delisting.*

By Dan Kim

[Company](#), April 28, 2023

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At Coinbase, we're working hard to help update the financial system by building trusted products that expand the utility and adoption of crypto, because we believe crypto and blockchain technology have the ability to increase economic freedom and opportunity around the world. Coinbase chose to become a public company in the US because we believe the US would best be served by embracing this fundamental innovation, but we're also focused on international markets, many of which are moving forward with strategies to become "crypto hubs." A key part of fulfilling this commitment is ensuring that we comply with the relevant laws and regulations in the places we operate, so customers can feel safe using our platform. That's why we only consider listing tokens that meet our strict requirements for trust, safety, and security. In fact, less than 10% of the tokens we review are considered candidates for our exchange.

Our best-in-class digital asset launch process is one reason why the most reputable crypto projects [list their tokens on Coinbase first](#), and why millions of people and businesses all over the world trust Coinbase as the safest and most reputable crypto exchange.

And because crypto is a groundbreaking technology that evolves quickly, our work doesn't stop after a listing: we continuously monitor all tokens and their projects for adherence to our listing standards. If we discover facts that materially change our understanding of a

token we list — such as its mission, leadership team, and tokenomics — we conduct additional analysis to determine if we can continue listing the token.

Our Industry-Leading Token Monitoring System

The strength and accuracy of our token monitoring system comes from our unique ability to detect a wide array of signals from many different data sources that include real-time news alerts, project team updates, social media chatter, trading activity, and on-chain heuristics.

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Over the past year, we've analyzed thousands of updates and alerts related to projects we list. Our global team of compliance, trust, and safety experts work around the clock to analyze on-chain and off-chain signals from data sources all over the world. In general, there are three categories of information we detect and analyze:

- *Trigger events*

- *Blockchain transactions*

- *Trade and ecosystem surveillance*

Trigger Events

One of the most prolific sources of information we analyze are market intelligence alerts and updates, like those from crypto research firm *Messari*. Real-time news helps us identify *trigger events* that could impact a project in many different ways — like how a token works, how a protocol is governed, or how a treasury is managed.

If we discover anything significant, we review the project again to make sure its token still complies with our listing requirements. If our standards aren't met, we work with project teams to mitigate any problems and take the appropriate actions to protect our users, which can include removing the token from our platform.

Trigger events we frequently analyze include:

- *Attacks, exploits, or bugs in the software*

- *Major protocol changes like splits, forks, and upgrades*

- *Changes to a project team's strategy, leadership, or legal status*

Blockchain Transactions

We review blockchain transactions to detect the presence of malicious software designed to target any token we list. This type of monitoring requires significant effort, as we review large amounts of data from hundreds of tokens on many different networks – which is why we use a proprietary blockchain monitoring system that alerts us whenever a dangerous smart contract is invoked. Working in tandem with our custom heuristics engines, our systems quickly analyze blockchain transactions and develop intelligence models that predict, detect, and neutralize potential risks. When our blockchain security teams identify dangerous vulnerabilities on a network, we notify our users and ask project teams to mitigate those risks; if they're unable to do so, we take actions that include delisting their tokens.

Trade & Ecosystem Surveillance

We monitor trading on our exchange and trading-related activity across the broader crypto ecosystem to identify bad actors who trade tokens in unethical ways, such as those who manipulate token prices by taking both sides of the same trade, or profit from insider information. We enforce our strict trading policies for our users and employees, as well as project teams with tokens listed on our platform. By leveraging state-of-the-art trade surveillance systems developed by world-class providers of risk management software, we can detect and prevent unethical token trading behavior.

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Problematic trading-related activities we look for may include:

- *Manipulation of trading volumes and prices*

- *Excessive trading behaviors and patterns*

- *Employees trading on information that isn't publicly available*

We also look at trading and trading-related activities across the broader crypto ecosystem to assess additional risks including those related to:

- *Profiles and trading activity of project team insiders and large token holders*

- *Utilization of tokens in high-risk activities*

Monitoring-as-a-Service

We designed our digital asset monitoring program to help us understand as much as we can about crypto projects so that we can make the most informed token listing decisions with the safety of our customers in mind. The process starts with our initial review of a token and the project it represents, and we go back as far as we can to gain a thorough understanding of a project including (but certainly not limited to) its history, leadership, investors, contributors, public statements, litigation history, financial crime risk, and token utility.

We look at both on-chain heuristics as well off-chain data we receive from monitoring a wide variety of information sources from all over the world, including internal and external sources for anti-money laundering, sanctions, and financial crimes compliance. Analyzing as much data as we can allows us to accurately determine the risk profile of tokens and keep all Coinbase users safe from unethical or illegal behavior. We believe the most effective way crypto can increase economic freedom in the world is on a platform of trust, transparency, and compliance with all relevant laws and regulations, which is why our monitoring program is extremely rigorous.

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About Dan Kim